

Message Text

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ACTION NEA-10

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FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 4449

INFO AMEMBASSY ABU DHABI

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY TEHRAN

AMEMBASSY VIENNA

AMCONSUL DHAHRAN

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ENRG, OPEC, TC

SUBJECT: EMIRATES OIL THINKING

REF: ABU DHABI 179, 844; BEIRUT 5038

SUMMARY: IN ADDRESS TO AUB SEMINAR, UAE OILMIN HEWED TO OPEC LINE ON DIALOGUE, SAID UAE STILL UNDECIDED ON PARTICIPATION AND INDICATED UAE WOULD SUPPORT OPEC OIL PRICE INCREASE DUE LOSS PURCHASING POWER.

1. UNITED ARAB EMIRATES (UAE) OILMIN OTAIBA, IN 75-MUNITE ADDRESS WITHOUT NOTES MAY 20 TO AMERICAN
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UNIVERSITY OF BEIRUT (AUB) OIL SEMINAR ATTENDED BY

BEIRUT OIL EXPERTS, BANKERS, DIPLOMATS AND SOME STUDENTS, SAID LITTLE NEW BUT GAVE INTERESTING EXPOSITION UAE THINKING ON CURRENT OIL ISSUES.

2. CONSUMER-PRODUCER DIALOGUE: OTAIBA, WITH CONVICTION, CHARACTERIZED THIS AS DIALOGUE BETWEEN DEVELOPED AND DEVELOPING, RICH AND POOR COUNTRIES, NOT MERELY OIL CONSUMERS AND PRODUCERS. OPEC PART OF THIRD WORLD; HAS SUCCEEDED IN GETTING JUST PRICE FOR ITS COMMODITY AND WILL AWAKEN OTHER POOR COUNTRIES TO THEIR RIGHTS. OPEC PREPARED MEET CONSUMER DESIRE FOR ASSURED OIL SUPPLIES AT REASONABLE PRICES BUT DEVELOPED COUNTRIES MUST AT SAME TIME HELP LDCS WITH THEIR PROBLEMS. DCS MUST HELP LDCS DEVELOP. REAL DIALOGUE MUST INCLUDE MONETARY REFORM, TECHNOLOGY TRANSFER, OTHER LDC PROBLEMS.

3. UAE OIL INDUSTRY PARTICIPATION: OTAIBA SPENT 30 MINUTES DESCRIBING UAE AS RELATIVELY YOUNG OIL PRODUCER SHORT OF SKILLED MANPOWER WITH VERY LARGE UNTAPPED OIL AND GAS RESERVES WHICH WILL REQUIRE MOST ADVANCED TECHNOLOGY TO EXPLOIT. FREELY ACKNOWLEDGING THAT UAE CANNOT EVEN COPE WITH 60 PER CENT OWNERSHIP, HE SUGGESTED THAT UAE WOULD NOT BE READY FOR REAL CONTROL UNTIL GENERATION NOW IN SCHOOL MATURES. RATHER APPEALINGLY STRESSED THERE NO POINT PRETENDING OTHERWISE, NOTHING WRONG WITH TELLING TRUTH. UAE CANNOT ITSELF MARKET MORE THAN 10 PER CENT OF ITS 60 PER CENT CRUDE ENTITLEMENT BECAUSE "COMPANIES FOUGHT US VERY HARD IN THE MARKET, SELLING AT LOSS TO KEEP US OUT OF MARKET". SAID COMPANIES SHOULD HELP NEWCOMERS ENTER MARKET. UAE STILL STUDYING PARTICIPATION, LOOKING AT OTHER COUNTRIES, SEARCHING FOR ARRANGEMENTS APPROPRIATE ITS SITUATION. HE SUGGESTED THERE SOME TENTATIVE CONCLUSIONS BUT THIS NOT RIGHT TIME SAY MORE, CURRENT WORLD OIL SITUATION FULL OF UNCERTAINTIES FOR PRODUCERS, COMPANIES AND CONSUMERS.

4. OIL PRICES: OTAIBA DENIED OIL PRICES RESPONSIBLE FOR MORE THAN SMALL PORTION WEST'S 14 PER CENT INFLATION LIMITED OFFICIAL USE

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1974 BUT INDICATED INFLATED IMPORT PRICES PRIMARILY RESPONSIBLE FOR UAE INFLATION RATE OF 25 PER CENT PLUS IN 1974. MURBAN CRUDE PRICED AT \$10.76 IN 1974 NOW REALLY WORTH ONLY \$8-9. OIL GOVERNMENTS RESPONSIBLE TO THEIR PEOPLE, MUST PROTECT PURCHASING POWER. SAYING HE WOULD "SIGN THE RIGHT INFLATION INDEX RIGHT NOW", OTAIBA STRONGLY INDICATED HE WOULD SUPPORT OPEC PRICE INCREASE NO LATER THAN OCTOBER ON GROUNDS

OF INFLATION, EROSION OF PURCHASING POWER AND LACK OF
PROGRESS IN DIALOGUE.
GODLEY

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